



Billing Code: 5001-06

DEPARTMENT OF DEFENSE

Office of the Secretary

TRICARE Demonstration Project for the Philippines

AGENCY: Department of Defense, Office of the Secretary of Defense (Health Affairs)/TRICARE Management Activity.

ACTION: Notice of an extension of the TRICARE demonstration project for the Philippines.

SUMMARY: On Wednesday, September 28, 2011, the Department of Defense (DoD) published a notice of the Philippines Demonstration Project (PDP) (76 FR 60007-60008). This notice is to advise interested parties of an extension to a Military Health System demonstration project entitled “TRICARE Demonstration Project for the Philippines.” The purpose of this demonstration is to validate an alternative approach to providing healthcare services for those beneficiaries covered under the TRICARE Standard option in the Philippines, controlling costs, eliminating any balance billing issues, and ensuring that the billing practices comply with regulatory requirements. During the initial two years of the demonstration project, significant reductions in providers under Pre-Payment Review has been observed, resulting in less fraudulent claim investigations. In addition, beneficiaries have been over 93% compliant with utilizing approved network providers in the Philippines demonstration areas. The DHA’s intent is to extend the demonstration project for an additional three years in order to determine if the cost savings to the Government in terms of the average cost per paid claim along with the savings on fraudulent claims can exceed the administrative costs related to the project while ensuring Standard beneficiaries are able to access high quality medical care within TRICARE access standards.

DATES: *Effective Date:* Effective December 31, 2015.

ADDRESSES: Defense Health Agency (DHA), TRICARE Overseas Program Office, 16401 East Centretech Parkway, Aurora, CO 80011.

FOR FURTHER INFORMATION CONTACT:

CAPT Bruno Himmler, Office of the ASD (HA)—DHA, (303) 676–3728.

SUPPLEMENTARY INFORMATION: TRICARE has recognized the unique circumstances existing in the Philippines which made the provision of medical care to TRICARE beneficiaries through the TRICARE Overseas program operated in other overseas locations challenging. TRICARE has experienced dramatic increases in the amount billed for healthcare services rendered in the Philippines from \$15 million in 1999 to \$59 million in 2009 while the number of beneficiaries has remained constant. Administrative controls such as the validation of providers, implementation of a fee reimbursement schedule, duplicate claims edits and the impact of the cost-shares and deductibles have limited actual TRICARE expenditures to \$17 million in 2009 for only approximately 11,000 beneficiaries.

In addition to these administrative controls, fraud and abuse activities in the Philippines have been a growing concern that necessitated prompt investigation and actions to reduce the number of fraudulent or abusive incidences. Measures were taken to prevent or reduce the level of fraud and abuse against TRICARE while concurrent investigations and prosecutions were conducted. In April 2008, seventeen individuals were convicted of defrauding the TRICARE program of more than \$100 million.

As a result, prepayment review of claims is conducted to identify excessive charges and aberrant practices. Prepayment review is a tool typically used on a limited basis. Nevertheless, these efforts alone are not expected to control and eliminate the rising costs in the Philippines.

Because of this concern, the purpose of this demonstration is to validate an alternative approach to providing healthcare services for those beneficiaries covered under the TRICARE Standard option in the Philippines, controlling costs, eliminating any balance billing issues, and ensuring that the billing practices comply with regulatory requirements.

Initial results have shown some partial success with the PDP, but additional data needs to be gathered and assessed to be able to determine the long term implications of the PDP.

Therefore, DHA proposes, utilizing the new overseas contract as the vehicle, to extend the demonstration for an additional three years in the Philippines to validate that use of a well-certified and limited set of approved providers in the Philippines will result in a significant reduction in the level of claims billing issues, including beneficiaries being liable for balanced billing amounts and fraud by providers, and average cost per claim paid by the Government, while ensuring beneficiaries have sufficient access to high quality care. The demonstration would continue to be conducted under 10 U.S.C. 1092.

During the next three years, the Government will look to expand the demonstration areas to other locations/cities with a significant Standard population. Also, the contractor will be requested to look at including pharmacies as network providers to help control costs related to outpatient prescriptions.

Dated: April 4, 2016.

Aaron Siegel,

Alternate OSD Federal Register Liaison Officer,

Department of Defense.